



## THE M&A MANAGED AUCTION FIVE STAGE SALE PROCESS

PACIFIC M&A AND BUSINESS BROKERS LTD.

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THE LINK TO SELLING YOUR BUSINESS | LOCAL KNOWLEDGE WITH A GLOBAL REACH

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### GENERAL OVERVIEW

#### M&A MANAGED AUCTION SALE PROCESS - PACIFIC M&A AND BUSINESS BROKERS LTD.

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The Pacific M&A and Business Brokers Managed Auction Sale Process ensures that you receive maximum value for your business/company through a systematic competitive bid process.

This five stage confidential and methodical process identifies and invites multiple potential strategic, financial, synergistic, or industry buyers to actively participate in a managed bidding process to acquire the business/company.

The transaction process can typically take between three and six months to complete. However, in certain situations, the transaction process may take less time or more time depending on complexities, structuring and other situations or issues that may be unique to the specific transaction at hand.

Though emotions always play a part in transactions, Pacific's methodical process and specific management of each step of the process by a professional and experienced M&A Advisor ensures the best possible results, shortest transaction time line, minimal stress on your part, negotiations void of emotions, and ultimately a successful sale. Conducting a well-orchestrated managed auction process requires strong analytical capabilities, a wealth of deal experience, well-honed negotiating skills, and thoroughly vetted systems and processes.

When considering the sale of your business, make sure you are working with an advisory team like Pacific M&A and Business Brokers with the skills, knowledge, experience, market reach, and professionalism necessary for a successful sale.

#### The M&A Managed Auction Five Stage Sale Process

- Stage 1 - Marketing Materials, Due Diligence Preparation, and Target List Identification
- Stage 2 - Marketing & Competitive Solicitation
- Stage 3 - Preliminary Due Diligence & Expression or Indication of Interest (EOI or IOI)
- Stage 4 - Formal Due Diligence & Negotiations
- Stage 5 - Closing & Definitive Agreement



## STAGE 1

### MARKETING MATERIALS, DUE DILIGENCE PREPARATION, AND TARGET LIST IDENTIFICATION

Assuming an assessment of value has already been done by Pacific M&A and Business Brokers, the first stage in this Managed Auction Sale Process includes the creation of the marketing materials which involves:

- a. Collecting data required to market the business opportunity;
- b. Creating presentations and working Excel models of the financial performance;
- c. Developing marketing materials consisting of a “Teaser” and a “Confidential Information Memorandum” (CIM).

In the preparation of the marketing materials, Pacific draws from data and information gathered during the valuation process such as detailed business analytics, industry status, competition, assessment of strengths, weaknesses, opportunities, and threats to both the business and industry, market size and status, buyer pool size, demographic and geography of the target market, and a host of other points both historical and futuristic in order to confidentially and successfully present your business to qualified buyer targets in the most favourable light.

Teasers are low-information marketing pieces that highlight major line items of the presented opportunity such as a synopsis, financial summaries, growth, assets, selective visuals, etc. No geographic or other identifiable disclosure is made within this document; it is totally “blind” and protective of your business/company.

The Confidential Information Memorandum (CIM) is made available to a potential buyer targets only once the Non-Disclosure and Non-Interference Agreements (NINDA) are signed by the target parties and they have confirmed their financial capacity. The CIM is a detailed document articulating the company’s operations, extensive financial detail covering normalizations, historical performance, management forecasts, customer concentration, SWOT analysis, justification of value, and much more, and all designed to provide a potential buyer with a framework for their determination of value. Other than the Teaser, all information is made available through Pacific’s secure and managed virtual data room. This is also where potential buyer parties once screened, may access select and specific data as authorized by Pacific and where access is controlled for view only, or download for their consideration and process of determination of value. All information is watermarked, time-stamped, tracked and controlled.

At the same time that Pacific creates the marketing materials, Pacific concurrently:

1. Performs their “due diligence preparation” which includes the setup of a secure data room and the assessment of sale structure considerations. As statistically most transactions are known to fall apart during the buyer due diligence process, Pacific performs their own internal due diligence in order to be properly prepared and ready to accurately and successfully manage the buyer’s due diligence process, whether preliminary or formal.
2. Develops a target list of acquisition targets that are reasonably likely, willing, and able to consummate a transaction. Pacific does this by researching as applicable, their regional, national, and or global business directories and databases as well as by reaching out to their global affiliates, in-house list of over 1,000 private equity groups, the extensive professional network of professional service providers such as lawyers, accountants, bankers, etc., their internal buyer list of several thousands, and the open market itself with the sole objective of engaging qualified buyer targets. The identified target list is then exposed to the opportunity Teaser.



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## STAGE 2

### MARKETING & COMPETITIVE SOLICITATION

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Within this stage, Pacific pro-actively and confidentially reaches out to targets identified in the previous stage, by phone, e-mail, and/or by inviting them to bid on the confidentially presented opportunity. The intent here is to confidentially expose the opportunity to the largest group of pre-screened and vetted buyer targets within Pacific's local, regional, national, or global reach as applicable to explore a potential transaction.

During this stage, Pacific will also strategize and prepare the company ownership and/or management for presentations, meetings, and discussions with potential acquiring parties.

Potential screened and vetted buyer parties interested in learning more on the opportunity and reviewing the CIM, will need to agree to a NINDA where they agree to not disclose any information provided to them, and not interfere with the company, business, employees, or management of the business in any way. This allows for minimal risk of confidential, strategic, or competitive information being leaked into the market.



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### STAGE 3

#### PRELIMINARY DUE DILIGENCE & EXPRESSION OR INDICATION OF INTEREST (EOI OR IOI)

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During this stage, any acquiring party that has been confidentially exposed to the CIM, and remains interested in pursuing the opportunity and desiring to participate in the auction process to acquire the business/company, will commence their "preliminary due diligence" process in order to determine the value they will use in their Expression of Interest (EOI) or also referred to as an Indication of Interest (IOI).

The valuation methodologies used by buyers will vary and can include multiple valuation methods under income, market or cost approaches to value, including the DCF, precedent transactions, leveraged buy-outs, comparable public companies analysis, underlying asset value analysis, and many more.

Upon completion of the preliminary due diligence and having determined their value for the business, the buyers will be expected to submit a non-binding EOI or IOI, which will typically be in letter form, outlining the respective buyer's intention to purchase the business/company. The EOI or IOI may also include commentary on potential synergies, expectations, timing, structuring, etc.

Once the EOI or IOI has been received, Pacific will review them with you, and will provide a comparable chart that compares all presented interests from all parties and where you, with the advice and assistance of Pacific, will be in a position to select the best fit, distill down the expressed interest acceptable to you, and establish which bidders you wish to have proceed to the next stage in the process where the "formal due diligence" begins.



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## STAGE 4

### FORMAL DUE DILIGENCE & NEGOTIATIONS

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Confidential access to the Pacific secure virtual data room is provided to the successful bidders typically on a non-exclusive basis. During this stage, the potential buyers may desire operational site visits, meetings with management, key staff and owners, and such will be treated through the best confidential and practical mechanisms possible in cooperation with you. The potential buyer's intent in this additional due diligence stage is to determine if the business/company fits either as a platform company, or in their portfolio as an "add-on," their strategic or synergistic goals, etc. Once determined, interested buyers will now typically provide a Letter of Intent (LOI) in order to continue in the process.

Typically, the LOI follows an EOI or IOI and is a more formal document that will detail such things as timing, structuring, price, inclusions and exclusions including working capital, expected training and transition or participation, sources of funds, and much more. This is generally non-binding, and subject to negotiations. If the LOI is accepted, the due diligence becomes formal and exclusive to that party.

With exclusive access to the formal due diligence, which generally serves to confirm the consistency and material accuracy of representations made, quality of earnings, etc., the potential buyer party will now typically deploy a full diligence team often consisting of accountants, lawyers, and other transactional advisors and due diligence specialists. Together, the due diligence team will work to complete the due diligence to deliver to the potential buyer their findings. The diligence process will most often be broken up into several categories including but not limited to:

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|--|----------------------------|
| a. Corporate                           | g. Personal Property       |
| b. Material Agreements                 | h. Intellectual Property   |
| c. Litigations                         | i. Taxation                |
| d. Human Resources and Related Parties | j. Insurance and Liability |
| e. Financial                           | k. Environmental           |
| f. Real Property                       | l. Other                   |

This information, flow, and due diligence is fully managed by Pacific and the M&A Advisor through the use of Pacific's proprietary systematic process.

Subject to the due diligence findings, once the due diligence is cleared, negotiations may continue with the purpose of articulating and refining the elements of a Definitive Agreement of Purchase and Sale.



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## STAGE 5

### CLOSING & DEFINITIVE AGREEMENT

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The potential buyer's lawyers may have already commenced drafting the Definitive Agreement of Purchase and Sale in the previous stage and if so, often your lawyer will have provided comments and possibly both parties may have already agreed to the terms and conditions of the Definitive Agreement. If not, the potential buyer's legal team will now draft the definitive agreement that outlines all the terms and conditions of the purchase and sale, including a proposed closing date, the representation and warranties of each respective party to the transaction, non-compete agreements, training, transition or employment agreements, and any other agreements, documents and instrument ancillary to the transaction.

Your legal team will review, comment, and provide all required documents to facilitate the work of the buyer's legal team including corporate minute books, GSA or PPSA releases, legal undertakings, material contract assignments, etc. and all facilitated by Pacific subject to the cooperation of each respective legal team and instructions given to each by their respective clients.

Professionally managing this final stage including all respective transaction advisors, counsels to the transaction, the buyer, and the seller, is absolutely essential to the success of a closing. It is not because of setbacks, or even surprises that so many transactions don't get across the finish line. It is often due to the lack of knowledge, unrealistic expectations, lack of required resources, and pure lack of management of all the facets involved and required to successfully get across a transaction finish line.

Where applicable, it is typical to perform an inventory count just prior to the closing. This will be coordinated by your professional M&A Advisor, together with any other required pre-closing activities such as the determination of anticipated Net Working Capital at closing and more.

Once the Definitive Agreement of Purchase and Sale is negotiated, and all terms and conditions agreed upon including any ancillary agreement or document, a signing date and time of all required documents is firmed up by each respective party. Executed documents are then exchanged by the respective lawyers contemporaneously with the agreed upon funding, and the transaction is successfully closed.

When hiring Pacific, you are hiring a full complement of professional M&A Advisors and Intermediaries. With a dedicated lead professional on the file, you will capitalize on several hundred years of professional experience, all the required to successfully sell your business, and all in one place, where their success, is directly tied to yours.

## **PACIFIC M&A AND BUSINESS BROKERS LTD.**

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